

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

DATALOGIC SCANNING, INC.,
a Delaware Corporation,)
Plaintiff,) Civ. No. 06-CV-6102-TC
vs.)
)
) ORDER AND OPINION
METROLOGIC INSTRUMENTS, INC.,
a New Jersey Corporation,)
Defendant.)

Coffin, Magistrate Judge:

Before the court is defendant's motion to stay litigation pending inter partes reexamination in the United States Patent and Trademark Office (#108). For the following reasons, the motion is granted.

BACKGROUND

Datalogic Scanning, Inc. (Datalogic) brought this action alleging infringement of its asserted patents. As the discovery period was closing, defendant Metrologic Instruments, Inc. (Metrologic) filed requests for inter partes reexamination of the patents-in-suit, in order to determine their validity based on art that the patent and trademark office (PTO) had not considered. Metrologic subsequently filed a motion to stay in this court, asserting, "[b]ecause patent invalidity is one of the core issues in the case, and the PTO's determination could conclusively end this case, or significantly change the patent

1 claims currently at issue, a stay is warranted." Metrologic's
2 Memorandum, 1. Metrologic asserts that any prejudice to
3 Datalogic is minimal because reexamination will streamline
4 litigation pending in district court, and if Metrologic is
5 ultimately deemed liable on Datalogic's claims, Datalogic will
6 be redressed for damages resulting from any intervening
7 infringing activity.

8 Datalogic opposes the motion, arguing that (1) the motion
9 was filed too early because the PTO has not yet granted the
10 reexamination request, (2) the motion was filed too late in the
11 course of these district court proceedings to avoid undue
12 prejudice, (3) the motion is dilatory, and (4) issuance of a stay
13 would have the effect of allowing the allegedly infringing
14 activity to continue.

15 DISCUSSION

16 "Courts have inherent power to manage their dockets and
17 stay proceedings, including the authority to order a stay pending
18 conclusion of a PTO reexamination." Ethicon, Inc. v. Ouigg, 849
19 F.2d 1422, 1426-27 (Fed. Cir. 1988) (internal citations omitted).
20 This district has recognized a "liberal policy in favor of
21 granting motions to stay proceedings pending the outcome of
22 reexamination proceedings." Whatley v. Nike Inc., 54 U.S.P.Q. 2d
23 1124, 1125 (D. Or. 2000). Three central questions inform the
24 court's evaluation of the motion to stay: (1) will issuing the
25 stay unduly prejudice the non-moving party? (2) will issuing the
26 stay simplify the litigation? (3) will the stay interrupt
27 district court litigation at an advanced stage? Werre v.
28 Battenfeld Technologies, Inc., Civ. No. 03-1471-AA, 2004 WL

1 2554568, *1 (D. Or., Nov. 9, 2004). As explained below, the
2 answers to those questions demonstrate why a stay is warranted.

3 As an initial matter, the court does not agree that the
4 motion to stay is unripe because the reexamination request has
5 not yet been granted. Metrologic perfected one of its
6 reexamination requests on August 21, 2007, and the other on
7 September 20, 2007. Pursuant to 35 U.S.C. § 312, the PTO is
8 required to take action on the requests prior to November 21,
9 2007 and December 20, 2007, respectively. Inter partes
10 reexamination is granted where the PTO Director has determined
11 that "a substantial question of patentability affecting any claim
12 of the patent concerned is raised by the request." 35 U.S.C. §
13 312. The parties agree that historically, the substantial
14 majority of inter partes reexamination requests are granted. See
15 Roger Shang & Yar Chaikovsky, Inter Partes Reexamination of
16 Patents: An Empirical Evaluation, 15 Tex. Intell. Prop. L.J. 19
17 (2006). ("over 90% of requests are granted"). The timeline for
18 the PTO's determination whether to grant the reexamination
19 request is short. In view of the statistical likelihood that
20 reexamination will be granted, I cannot agree that the motion to
21 stay is so premature as to require the court to reject it on that
22 basis. Issuing a stay of the district court litigation at this
23 point is a practical step in light of the likelihood of
24 reexamination and the fact that the reexamination determination
25 will bear heavily on the claims pending in district court. The
26 court retains control over the stay, and may lift it in the
27 unlikely event that reexamination is not granted.

28 In this case, patent validity is a central issue, and a

1 determination of the patents' validity through the reexamination
2 process is a logical step to attempt prior to claim construction
3 and litigation. In a factually similar case in the Eastern
4 District of Texas, where the motion for a stay was filed as
5 discovery was closing but before a Markman hearing, the court
6 offered the following explanation of the potential influence of
7 an inter partes reexamination, which I quote here at length:

8 The statute governing inter partes reexamination
9 provides for full participation by a third party at
10 all stages of the proceedings. See 35 U.S.C. § 311,
11 et. seq. Unlike an ex partes reexamination, an
12 inter partes reexamination allows the third-party
13 requester "to file written comments addressing
14 issues raised by the action of the Office or the
15 patent owner's response thereto[.]" Id. at §
16 314(b)(2). In addition, the third-party requester
17 may appeal to the Patent Board of Appeals and may
18 appeal from the Board's decision to the Federal
19 Circuit if the Board affirms a finding of
20 patentability or reverses an examiner's finding of
21 unpatentability. Id. at § 315(b)(1). Moreover, the
22 third-party requester may participate as a party if
23 the patent owner appeals to the court from an
24 unfavorable decision regarding patentability. Id. at
25 § 315(b)(2).

26 However, and of particular import here, the statute
27 imposes estoppel restraints on a third-party
28 requester. That is, a third-party requester is
estopped from relitigating the same issue "which the
third-party requester raised or could have raised
during the inter partes reexamination proceedings."
Id. § 315(c). . . . In addition, the third-party
requester will be estopped from seeking review of
factual determinations made in the inter partes
reexamination. Id. Thus, an inter partes
reexamination can have no other effect but to
streamline ongoing litigation. For these reasons,
courts have an even more compelling reason to grant
a stay when an inter partes reexamination is
proceeding with the same parties, which is precisely
the case here.

29 In addition, if the parties continue to litigate the
30 validity of the claims in this Court, and the PTO
31 subsequently finds that some or all of the claims in
32 issue here are invalid, the Court will have wasted
33 time and the parties will have spent additional

1 funds addressing an invalid claim or claims. Thus,
2 the grant of a stay will maximize the likelihood
3 that neither the Court nor the parties expend their
4 assets addressing invalid claims. And to the extent
that claims survive the inter partes reexamination,
Defendants will be precluded from challenging their
validity in the same regard.

5 Second, although there has been a great deal of
activity in this litigation to date, much remains to
6 be done before the case is ready for trial.
Discovery is not yet completed, summary judgment
7 motions have not been filed, and the Court has not
completed its claim construction. It would be an
8 egregious waste of both the parties' and the Court's
resources if the Markman and summary judgment
9 proceedings went forward and the claims were
subsequently declared invalid or were amended as a
10 result of the reexamination proceeding.

11 EchoStar Technologies Corp. v. TiVo, Inc., No. 5:05 CV 81 DF, *3-
12 *4 2006 WL 2501494, (E.D. Tex., July 14, 2006). Similarly, in
13 this case, the motion to stay was filed at the close of
14 discovery, and in advance of a Markman hearing. Metrologic¹ will
15 be estopped from relitigating issues determined during inter
16 partes reexamination. Allowing the PTO to apply its expertise
17 will avoid potentially contradictory outcomes concerning the
18 validity of the patents-in-suit, conserve judicial resources, and
19 spare the parties the expense of attending to ongoing parallel
20 proceedings.

21 Further, the court cannot wholly accept Datalogic's argument
22 that the motion to stay was filed too late in the district court
23 proceedings to avoid undue prejudice. Datalogic asserts that
24

25 ¹ One of the patents-in-suit is Metrologic's own earlier patent.
26 Datalogic has not indicated, nor has the court discovered, any
27 authority that would bar Metrologic from requesting inter partes
reexamination of its own earlier patent notwithstanding 35 U.S.C. §
28 311(a) ("Any third-party requester at any time may file a request for
inter partes reexamination by the Office of a patent on the basis of
any prior art . . .").

1 because discovery was closing at the time Metrologic filed its
2 motion, the district court proceedings had advanced to a point
3 when Datalogic had invested so much time and effort on addressing
4 its claims that the grant of a stay by this court would be
5 inequitable.

6 In this court's view, however, equity and judicial economy
7 counsel instead in favor of a stay. The court is aware that
8 litigation and reexamination are distinct proceedings that serve
9 distinct ends, that the court is not obliged to yield to PTO
10 proceedings, and that it is ill-advised to do so when one party
11 uses reexamination to derail litigation. But here, as explained
12 above, the reexamination proceedings are germane to the
13 resolution of Datalogic's claims in district court. Moreover,
14 although the discovery deadline has elapsed, as a practical
15 matter, the parties agree that a number of outstanding discovery
16 tasks are incomplete. Markman briefs have not been filed, and so
17 claim construction is yet to be accomplished. The outcome of the
18 reexamination proceedings may preclude claim construction
19 disputes, and, as Metrologic argues, reexamination may simplify
20 litigating invalidity theories. Discovery that has already been
21 conducted will not lose its relevance to this litigation after
22 reexamination is resolved.

23 Further, the court disagrees with the contention that
24 Metrologic has filed the motion purely to delay the proceedings
25 and continue the challenged activities. Metrologic represents
26 that the decision to request inter partes reexamination was
27 driven by the issuance of KSR Int'l Co. v. Telefax, Inc., ___ U.S.
28 ___, 127 S. Ct. 1727 (2007), which altered the standard for the

1 determination of patent invalidity based on a patent comprising
2 obvious combinations of components that are already known. The
3 court does not consider that explanation to be a pretext for
4 delay.

5 Finally, issuance of the stay will not tacitly permit
6 alleged infringing conduct to continue. Whether there is an
7 infringement in the first instance will depend in part on the
8 outcome of the reexamination. Further, any intervening
9 infringement will be redressable in a damages award. The court
10 is without jurisdiction to enjoin alleged infringing activity
11 located in Europe; thus, the harm that this district court
12 proceeding is able to redress - economic losses resulting from
13 infringement - may be redressed even after reexamination and
14 resumption of proceedings in district court.

15

16 CONCLUSION

17 Defendant's motion to stay litigation pending inter partes
18 reexamination in the United States Patent and Trademark Office
19 (#108) is granted.

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21 IT IS SO ORDERED.

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23 Dated this 19th day of October, 2007.

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THOMAS M. COFFIN
United States Magistrate Judge

